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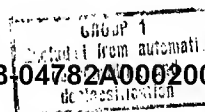
REPORT OF FINANCE-BUDGET TASK GROUP FACT
FINDING SURVEY OF LOGISTICS BUDGET
AND FISCAL BRANCH 30 SEPTEMBER - 17 OCTOBER 1963

1. Organization and Personnel

- a. The responsibilities and duties of the BF Branch of the Administrative Staff are distributed on a functional basis. (Tab A is an organizational chart of the Logistics BF Branch.)
- b. There are seven employees in the Branch each of whom is responsible for one or more functions. The Chief, BF Branch, who reports directly to the Chief, Administrative Staff, supervises all functions of the Branch giving direction and guidance on day-to-day activities. He and the Deputy Chief work together in preparing all budget estimates and in controlling and managing the Bulk Stock accounts and other Branch activities. The Bulk Stock procurement accounting system is handled by three fiscal accounting assistants. The senior Fiscal Accounting Assistant of this unit is responsible for general administration and control of the procurement allotments and conducts liaison with Agency components on pertinent matters. Two Fiscal Accounting Assistants are involved in the detailed maintenance and reconciliation of vouchered and unvouchered Bulk Stock accounts including appropriate files and supporting data. Two other Fiscal Accounting Assistants are responsible for maintaining the allotment control records for property authorization and confidential funds of the Office of Logistics. One Fiscal Accounting Assistant also does all the typing for the Office and the other assists in preparation of budget schedules for the Office Estimates. (Tab B is the OL/BF table of organization showing Incumbent and grade.)
- c. The personnel strength of the Office of Logistics on 31 January 1964 was and the Office budget for Fiscal Year 1964 is 25X9
It is estimated the BF Branch devotes 20% of its total man-hours to Budget matters, 75% to Fiscal matters, and 5% to General Administration. (Detailed statistics of matters influencing the workload of the Office of Logistics BF Branch are provided in Tab C.)

2. Functions of BF Branch Other Than Those Relating to the Bulk Stock Accounts

The following narrative outlines the major functions performed by BF Branch and incorporates the methods, procedures, and techniques used in performing the functions.



a. Budget

(1) Formulation

The Chief, BF Branch prepares memorandum budget instructions for the operating divisions based on data required by the Budget Division for the Preliminary Estimate and Long Range Projections, Financial Plan (Operating Budget), and the Office Estimates.

(a) Preliminary Estimate and Long Range Projection

Personal services costs estimates, including positions and average employment, are computed by the BF Branch. Office of Logistics Divisions and Staffs prepare in rough draft a schedule by object class of all other requirements.

(b) Financial Plan (Operating Budget)

Material from the Divisions and Staffs is requested in rough draft by activity, e.g., Depot, and by object class. This includes an explanation of changes for non-recurring and new items and differences from the Congressional Estimate. Personal services costs are computed by the BF Branch. 25X1

(c) Office Estimates

As in other Budget exercises the BF Branch prepares the detail of personal services which are turned over to the Divisions for final typing. A separate justification for each object class (200-900) setting forth details of requirements and explanations of changes between the current year and the past year and the budget year and the current year is requested of each Division. Information is also obtained from each Division, as applicable, on motor vehicle requirements, research and development, external research projects, and reimbursements and advances. All required material is submitted in a single rough draft to the BF Branch for approval and returned for final typing by the divisions. Narrative for all budget estimates is prepared by the Chief, BF Branch. During the weeks of budget formulation, the Director of Logistics is consulted and briefed by the Chief, BF Branch and his deputy on the levels of funding for each Division and on the total impact of the Budget on the Office of Logistics. After the BF Branch has assembled Division estimates and the narrative, they are presented to the Director of Logistics for final review and approval.

(d) Congressional Estimate

Bureau of the Budget hearings are attended by the Director of Logistics, Chief of Support, and the Chief and Deputy Chief, BF Branch. Other participation in the Congressional Estimate exercise is nominal.

(2) Execution

Control of Logistics funds excluding the Bulk Stock Accounts which are discussed separately, is largely the responsibility of the BF Branch. There are six allotments; one vouchered and one confidential each for the Office of Logistics in general, Printing Services Division, and Logistics Property Procurement. Sixty-seven cost centers are maintained. Each month BF personnel prepare an "Analysis of Obligations" for the Director of Logistics. This report summarizes obligations for personal services and other costs by component and major activity showing funds budgeted, funds used, the unobligated balance, and percentage of funds used compared with a straight line projection. Divisions and Staffs are provided a monthly report entitled "Status of Funds by Object Class and Property Authorization". This report summarizes for each cost center, vouchered and confidential fund expenditures, obligations, unliquidated obligations, and cumulative requisitions by object class. The Chief, BF Branch briefs the Director of Logistics periodically on the status of vouchered and confidential fund obligations and property authorizations and encumbrances. Briefings are more frequent when emergency fund situations arise. Divisions and Staffs are required to limit spending to the amounts budgeted for their respective activities. Adjustments in budgeted amounts are coordinated by the Chief, BF Branch and his deputy who work closely with Division Chiefs in reallocating funds when justified. Any very large expenditure for goods and services is brought to the attention of the Chief, BF Branch or his deputy who either concurs or seeks advice from higher authority if he has any doubt of the need for the expenditure.

b. Fiscal

(1) Allotment Ledger

(a) Funds

A single allotment ledger for controlling confidential funds and property requisitioning authority allotments is maintained by cost center on obsolete Form 619, "Allotment and

Property Authorization Control Record". Funds obligations for each cost center are recorded by object classification. With few exceptions, obligations are recorded from specific documents which are filed in an unliquidated document file. Liquidations are made from data shown on the monthly expenditure run. In instances when the object classification of the expenditure differs from the object classification of obligation, the original obligation is reversed and re-entered to correspond with the data on the monthly expenditure run. Liquidated documents are transferred to a separate file. Payroll obligations are based on prior month's experience and are liquidated and adjusted on the basis of the monthly expenditure run. Office of Logistics does not have any [redacted] Cargo costs 25X1 and travel costs are obligated and liquidated in accordance with [redacted] except that obligations are 25X1 identified by object class. The Office of Logistics maintains seven Imprest Funds. Obligations are based on expenditures reflected in accountings and are liquidated from the monthly expenditure run. A recap of obligations by object classification is made by taping such data from current month's activity for each cost center for inclusion in the monthly internal status of funds report.

(b) Property

Control of property requisitioning authorization is maintained in the allotment ledger on the same ledger sheets used for recording funds activity. Upon receipt of a Logistics requisition, Form 88, the BF Branch records the requisition by voucher number and cost center in a log, 25X1 certifies availability of property requisitioning authorization, and forwards the requisition [redacted]. When the run-off copy of the requisition is received from the Depot, it is obligated on Form 619 and filed. These obligations are adjusted and liquidated on the basis of the monthly issues run.

(c) Administrative Stock Account

A stock account budgeted for by the Office of Logistics is maintained for items requisitioned for common use such as furniture and office supplies for which no consumer requisitioning authority is required. Control is effected by the BF Branch through recording obligations from requisitions or from purchase orders prepared by one of the three consumer centers [redacted] 25X1

[redacted] Obligations are adjusted and liquidated from data in the monthly issues run.

(d) Printing and Books and Publications

Printing obligations are entered on Form 619, "Allotment and Property Authorization Control Record", from copies of printing requisitions, if received. Otherwise obligations are entered from data on the Printing Services Division monthly customers report. Obligations are adjusted and liquidated on an item by item basis from the PSD monthly customers report. The annual requisitioning authority for books is encumbered in total at the beginning of the fiscal year. Liquidations are effected from the monthly expenditure run. Book requisitions are processed through the Procurement Division.

(2) Advances and Advance Account Control

(a) Requests for Advances

Forms are prepared and typed by the requesting component. BF Branch records are checked to determine that advancee's account is current, and that the request has been signed by an authorized approving officer.

(b) Controls

A vouchered funds advance control record is maintained on an internal office form. Confidential fund advances are controlled through the daily machine listing, one copy of which is retained by the BF Branch and one copy sent to the advancee's division. A card file of confidential funds advances is kept by due date, and advancees whose accountings are due are notified by telephone. The information on these cards is abstracted from the daily machine listing.

(3) Travel

(a) Orders

Travel orders are prepared and typed by the Divisions. The BF Branch prepares a folder for each traveler and assigns the travel order and cost center numbers to the travel order. The Division Chief is requesting officer for domestic travel, the Director of Logistics for foreign travel. The Director of Logistics or the Chief, Administrative Staff is the authorizing official for domestic travel. The SSA-DD/S is the authorizing official for foreign travel.

(b) Accountings

Travel vouchers are prepared by the Divisions and sent to the BF Branch where a preaudit is made prior to approval. Most Logistics travel is domestic and involves vouchered funds which are obligated and liquidated by the Fiscal Division. The Director of Logistics and the Chief, Administrative Staff are approving officers for travel vouchers.

(4) Other Accountings

Imprest fund accountings and project and operational expense claims are prepared and typed prior to submission to the BF Branch. Claims are not subjected to a detailed audit prior to submission to Confidential Funds Division.

(5) Briefings

BF Branch personnel occasionally brief employees prior to Individual employees are briefed on travel and accounting procedures on request.

c. General Administration

Correspondence initiated by the BF Branch consists almost entirely of memoranda. The majority of budget material, memoranda, and internal status reports are typed by a Fiscal Accounting Assistant. Filing of BF correspondence; funds, property and printing obligation and liquidation documents; and activity reports is performed by a Fiscal Accounting Assistant. Overtime is allotted to each division on the basis of past year data. Time and attendance clerks report overtime worked each four weeks. The BF Branch monitors the divisions' use of overtime and any overtime in excess of quota requires approval of the Director of Logistics. A concise recap sheet of the vouchered military payroll is prepared by the BF Branch.

3. Bulk Stock Procurement Allotment Control System

a. General

Administration of the bulk stock procurement allotment control system was assigned to the Logistics BF Branch in January 1961. Three Fiscal Accounting Assistants, one grade GS-8 and two grade GS-5, are presently responsible for maintaining the detailed records. One GS-5 Fiscal Accounting Assistant is responsible for processing vouchered funds transactions, the other, confidential funds transactions. There are

nine Bulk Stock procurement allotments - four vouchered funds and five confidential funds. Twenty-one cost centers are maintained. Cost centers are principally designed to segregate procurement costs between stock and non-stock and vouchered and confidential funds within the five major materiel categories: General, Communications, Ordnance and Airborne, TSD, and Medical. Separate cost centers are also maintained for [redacted] and Reimbursable items. The allotment control system is designed to accomplish two basic purposes:

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- (1) To develop accurate and timely information that will enable management to determine at any time what portion of allotted funds has been committed and obligated for procurement.
- (2) To fulfill the Office of Logistics' responsibility for maintaining adequate obligation records in its role as allottee for confidential funds. A monthly status of funds report is prepared which summarizes by cost center cumulative obligations to date and identifies open commitments on hand. Open commitments essentially consist of requisitions on hand for which obligating documents have not been received. Control of each allotment is effected by adding the cumulative obligations and open commitments, and comparing this total with the amount allotted to determine the uncommitted balance available for further procurement. Sub-allotments of funds are made to the [redacted] Depots for property procurement. Procedures utilized in controlling vouchered and confidential funds allotments are discussed separately below.

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b. Vouchered Fund Allotments

on hand
Run-off copies of requisitions, Form 88, reflecting procurement to be effected from vouchered funds, are matched with obligating documents ~~on hand~~. The requisitions, with or without obligating documents attached, are filed by voucher number and segregated by cost center in a single active file. Upon receipt of the semi-monthly cost center machine run from Fiscal Division, all entries thereon are individually cross checked to the requisitions and obligating documents on file to determine the accuracy of the charges and whether all procurement items on a requisition have been obligated. Adjustment vouchers are prepared and transmitted to Fiscal Division to correct erroneous charges. When all procurement items on a requisition have been obligated the requisition and associated obligating documents are pulled from the active file and filed by voucher number and cost center in a completed file. Cost center runs are received from Fiscal Division approximately the 10th and 21st of each month. To produce the month-end status report of Bulk Stock funds on a timely basis, the cost center run received on the 21st of the month, which covers Fiscal Division activity for approximately the first 11 working days of the month, is used. Cumulative obligations are abstracted

from the cost center run and all obligating documents in the active file, which have not yet appeared on the run, are taped and added to the cumulative obligations. Cumulative obligations are thus up-dated to the end of the month and the revised figure is shown on the status of funds report. Requisitions in the active file are re-examined, and all procurement items for which obligating documents have not been received are taped and reflected as open commitments on the status of funds report.

c. Confidential Funds Allotments

- on hand*
- (1) Run-off copies of requisitions, Form 88, reflecting procurement to be effected from confidential funds, are matched with obligating documents ~~on hand~~. Line items on the requisition which are covered by an obligating document are checked and the resulting total is entered in red ink on the face of the requisition as an unliquidated obligation. Any remaining line items on the requisition for which an obligating document has not been received are extended and the total of such items is entered on the face of the requisition in blue ink as an open commitment. When it is apparent that multiple obligating documents will be involved, e.g., a contract, a "Detail Obligation Record" form is used to post and adjust open commitments and obligations for that particular requisition. Requisitions for which no obligating documents have been received are filed in a single file by voucher number and segregated by cost center. Requisitions that are partially obligated and those that are fully obligated but not liquidated are filed in a single file by voucher number and segregated by cost center. For easy identification a pink tab is stapled on requisitions having open commitments. When the monthly expenditure run is received from Finance Division, data thereon is posted to each requisition (or Detail Obligation Record) in green ink. When the order is completed, obligations are adjusted and the adjustment noted on the requisition. Fully obligated and liquidated requisitions are refiled by voucher number in a "completed" file segregated by procurement account. Adjustment vouchers are prepared and forwarded to Finance Division to correct errors appearing on the expenditure run. There are three sets of files maintained for Confidential funds allotted for property procurement: Encumbrance, Unliquidated, and Liquidated.
 - (2) At least twice a month, more often if the work load is heavy or money is tight, obligations are posted by a Burroughs Sensimatic Accounting Machine. Obligations and obligation adjustments are machine posted to cost center ledgers from the red ink entries on the requisitions or Detail Obligation Record

forms. These postings are made either individually or grouped by like items. After reconciliation of the monthly expenditure run, the expenditure totals by cost center are transcribed to summary cards by monthly amount and cumulative totals and machine posted to cost center ledgers from the cards. Each group of documents is taped as a check against the machine postings. At the end of each month, open commitments are computed by taping requisitions in the active files, and machine posted to the cost center ledgers which in turn are recapped on ledgers maintained by major material units and by allotments. (Tab E lists detailed statistics of matters influencing the workload involved in maintaining the Bulk Stock allotment control records and Tab F is a chart showing document flow to the BF Office relating to the Bulk Stock allotment control records.)

d. Procedural Details and Problems

- (1) Documents - The requisition, Form 88, is of primary importance in maintaining allotment control under the present system, as it is the document from which encumbrances are recorded against the applicable procurement cost center. Identification of all requisitions requiring procurement action is necessary for accurate determination of funds committed to procurement. To fulfill this need, the BF Branch instituted a system of logging requisitions for Fiscal Year 1964. The log consists of pre-numbered lists which coincide with the blocks of voucher numbers assigned for use by the different Logistics components authorized to process and number requisitions. Requisitions received in the BF Branch are logged by placing code numbers opposite the proper voucher number. The code numbers indicate whether vouchered or confidential funds are involved, the type of material by major category, and whether it is for stock replenishment or direct purchase for a consumer. The log facilitates efforts to locate requisitions within the BF Branch and enables identification of a missing requisition when an obligating document is received. The log does not permit positive identification of all requisitions involving procurement action. Identification cannot be made since the processing and numbering of requisitions is decentralized in the Office of Logistics and at least six of the basic number blocks involve requisitions that may cover either stock issues, procurement, or both. (Tab D lists the blocks of voucher numbers assigned for use by Logistics components.)

(2) Procurement at Overseas Locations

Requisitions specifying procurement at overseas locations are recorded as encumbrances by the BF Branch. Obligations are recorded on the basis of cables or dispatches requesting

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procurement action by an overseas installation, or at the end of the Fiscal Year these encumbrances are converted to obligations if a receiving report is on file. Encumbrances or obligations are maintained as open items pending receipt of a T/A from the procuring installation. During FY 1963 the BF Branch encumbered approximately \$50,000 covering 25 requisitions involving overseas procurement. Since receiving reports are on hand in eleven cases and only two T/A's have been received to date, it appears that Bulk Stock Funds are being encumbered and obligated for items which may have been cancelled or for which the expenditure has been recorded against other funds.

(3) Requisitions Diverted

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Requisitions involving procurement action are diverted to the [redacted] Depots by Procurement Division and the [redacted] Depot if the consignee is located overseas and procurement by a field depot is feasible and will save transportation charges. In the case of diversions by Procurement Division, the estimated cost has already been encumbered against procurement funds by the BF Branch. The BF Branch maintains a list of Procurement Division diversions which, in the past, has been compared with the [redacted] accountings and when identified as having been obligated by the Depot, the encumbrance was dropped.

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(4) Unliquidated Obligations

The BF Office reconciles unliquidated obligations with unliquidated documents each month. The validity of unliquidated obligations is reviewed only at the time the appropriation lapses and a schedule of unliquidated obligations must be prepared in connection with establishing the M Account balance. Such obligations thus may remain on the books without review for a period of two years after the close of a fiscal year. However, notification is provided to the BF Branch by Procurement Division of any significant changes.

(5) Military Procurement

[Large redacted box]

made to ascertain from the Department of Defense whether billings are contemplated for all items covered by the obligations. The Logistics BF Branch states that this is in conformance with Agency policy.

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TAB C (cont'd.)

CORRESPONDENCE - OUT (Annual)

Dispatches	1
Cables	-
Memoranda	200
Total Correspondence - out	201

GENERAL (Annual)

Briefings	6
Audit Report	-
Travel Orders (Principally Domestic)	285
Time and Attendance Reports	-
Property Requisitions	3,467
Printing Requisitions	374
Book Requisitions	-
Overtime (Paid and Unpaid Hours)	362

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REPORTS PREPARED BY LOGISTICS

(CFD)	List of Lapsed Appropriations Obligations
(OL)	Analysis of Obligations, Director of Logistics
(OL)	Status of Funds, Divisions and Staffs
(OL)	Status of Property Procurement Funds
(BD)	Preliminary Estimate
(BD)	Long Range Estimate
(BD)	Office Estimate
(BD)	Financial Plan (Operating Budget)
(BD&CFD)	SOR

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